

Message Text

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63

ACTION NEA-09

INFO OCT-01 EUR-12 EA-06 IO-10 ISO-00 CIAE-00 DODE-00

PM-03 H-01 INR-07 L-02 NSAE-00 NSC-05 PA-01 RSC-01

PRS-01 SP-02 SS-15 USIA-06 SAM-01 AID-05 COME-00

EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04

SIL-01 OMB-01 AGR-05 ACDA-05 MC-01 STR-01 FEA-01

SAJ-01 /124 W

----- 043033

R 051300Z FEB 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 0000

INFO AMEMBASSY ALGIERS

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY BUCHAREST

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY TEL AVIV

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 1 OF 2 CAIRO 1343

E.O. 11652: GDS

TAGS: EAID EG

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SUBJECT: ASSISTANCE TO EGYPT: SUMMARY OVERVIEW

SUMMARY: WHILE ASSISTANCE OFFERED TO EGYPT SINCE OCTOBER WAR TOTALS ALMOST \$6 BILLION, A NUMBER OF VERY IMPORTANT FACTORS MAKE THIS FIGURE HIGHLY MISLEADING, PARTICULARLY WHEN MEASURED AGAINST BOTH SHORT-TERM CASH DEFICIT (ESTIMATED AT \$1 BILLION PLUS) AND OVERALL DEBT (AN ADDITIONAL \$4 BILLION). MORE THAN 55 PERCENT OF PROMISED AID IS TIED TO PROJECT IMPLEMENTATION AND THEREFORE OF NO BENEFIT TO EGYPT FOR CONSIDERABLE PERIOD; PLEDGES FROM ARABS, SOME OF WHICH WILL PROBABLY NOT MATERIALIZE, WILL PROBABLY REPLACE SOME PREVIOUS ASSISTANCE; EVEN COMMODITY IMPORTS FINANCED FROM ABROAD, OF WHICH THERE IS NOT VERY MUCH, WILL EXPERIENCE LONG DELAYS; MOST PRESSING NEED, FOR CASH TO COVER CURRENT OUTLAYS, HAS NOT EVEN PARTLY BEEN FILLED. END SUMMARY.

1. SINCE OCTOBER WAR, GOE HAS SOUGHT AND RECEIVED ECONOMIC ASSISTANCE FROM ANY AND ALL SOURCES. MULTIPLICITY OF DONORS, DIFFERING NATURE OF CONTRIBUTIONS IN TERMS OF BOTH PURPOSES AND PROCEDURES FOR UTILIZATION, AND FACT THAT PRESS REPORTS RESTATE AND/OR OVERSTATE INDIVIDUAL OFFERS, OFTEN LONG BEFORE ACTUAL CONCLUSION, HAVE PRODUCED CONSIDERABLE CONFUSION AS TO TOTALS THUS FAR RECEIVED. OF GREATER SIGNIFICANCE, THESE FACTORS HAVE ALSO GENERATED SERIOUS MISCONCEPTIONS AS TO EFFECT ON EGYPTIAN ECONOMY THAT CAN BE ANTICIPATED, PARTICULARLY IN SHORT RUN.

2. IN TABLES GIVEN BELOW, EMBASSY HAS ATTEMPTED TO SUMMARIZE SITUATION AS OF END OF JANUARY. DATE HAS NO PARTICULAR SIGNIFICANCE, IT IS MERELY CONVENIENT PLACE TO STOP SINCE MAIN SURGE OF GIVING APPEARS TO BE OVER. AIRGRAM FOLLOWS WITH DETAILED BREAKDOWN, MOST OF WHICH IS UNCLASSIFIED.

3. A NUMBER OF VERY IMPORTANT CAVEATS MUST BE CONSTANTLY BORNE IN MIND WHEN CONSIDERING ANY AID DATA. SINCE EGYPT HAS ONLY RECENTLY RE-ENTERED ASSISTANCE ARENA, THEY DESERVE SPECIAL CONSIDERATION HERE:

A. SOME PROMINENTLY PUBLICIZED OFFERS, E.G. \$1 BILLION
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RABAT FUND, MAY NEVER BE GIVEN IN FULL, MAY REPLACE PREVIOUS ASSISTANCE, AND MAY NOT BE REPETITIVE.

B. CERTAIN DONORS HAVE MENTIONED VAST SUMS FOR OVERALL ASSISTANCE, E.G. IRAN'S \$1 BILLION PLUS, BUT ACTUAL ALLOCATIONS TO SPECIFICS USES HAVE NOT YET BEEN MADE. ANNOUNCED AMOUNTS ARE SHOWN IN PARENTHESIS NEXT TO COUNTRY, BUT ONLY SPECIFIC ALLOCATIONS ARE INCLUDED IN TOTALS, (EXCEPTION

IN CASES OF JAPAN AND GERMANY, WHERE TOTALS HAVE BEEN SET FOR MULTIYEAR CONTRIBUTIONS). ALLOCATIONS, HOWEVER, ARE FAR FROM ACTUAL COMMITMENTS AND FARTHER FROM DISBURSEMENTS.

C. MORE THAN HALF OF SUMS THAT HAVE BEEN MENTIONED IS TIED TO EXECUTION OF SPECIFIC PROJECTS AND AS SUCH IS NOT IMMEDIATELY AVAILABLE TO GOE. UNDER BEST OF CIRCUMSTANCES AND EVEN AFTER ALL NECESSARY PRELIMINARY WORK HAS BEEN COMPLETED, LONG LEAD-TIMES REQUIRED FOR MAJOR INDUSTRIAL PROJECTS MEAN THAT ANY BENEFIT TO EGYPT FROM THIS FORM OF ASSISTANCE WILL BE DELAYED FOR CONSIDERABLE PERIOD. WHERE PROJECT IS JOINT VENTURE, AND PARTICULARLY TRIANGULAR INVESTMENT TYPE, EVEN LONGER DELAYS WILL PROBABLY BE INVOLVED. MRER TOTALS OF ANNOUNCED PLEDGES AND PROMISES THEREFORE HIGHLY MISLEADING.

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INFO OCT-01 EUR-12 EA-06 IO-10 ISO-00 CIAE-00 DODE-00

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SIL-01 OMB-01 AGR-05 ACDA-05 MC-01 STR-01 FEA-01 /123 W

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R 051300Z FEB 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 1913

INFO AMEMBASSY ALGIERS

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY BUCHAREST

RUDKPNQNKAMEMBASSY COPENHAGEN 64

AMEMBASSY THE HMKE

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MANAMA
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C O N F I D E N T I A L SECTION 2 OF 2 CAIRO 1343

D. PARTPM TO OFFSET ABOVE PROBLEM, EMBASSY HAS, WHERE POSSIBLE, BROKEN TABLES INTO PROJECT ASSISTANCE AND SO-CALLED BALANCE OF PAYMENTS (BOP) ASSISTANCE, LATTER CATEGORY CONFIDENTIAL

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CONSISTING OF UNDS PROVIDED TO COVER IMPORTS NOT RELATED TO A SPECIFIC PROJECT. DIVISION HAS OF NECESSITY BEEN SOMEWHAT ARBITRARY IN PLACES. IN THEORY SUCH FACILITES CAN BE UTILIZED IN RELATIELY SHORTER TIME-FRAME, BUT PROCEDURES IN CASES OF TIED PROCUREMENT, APPLICABLE TO ALL UNILATERAL LOANS FROM WESTERN NATIONS AND JAPAN, ARE OFTEN QUITE CUMBERSOME AND TIME-CONSUMING.

E. FOR ALL REASONS CITED ABOVE, TOTAL AID ANNOUNCED IN ANY PARTICULAR PERIOD GREATLY EXCEEDS AMOUNTS RECEIVED IN THAT PERIOD, AND ACUTAL UTILIZTION IS OFTEN QUITE EXTENDED. SINGLE EXCEPTION TO THIS RULE IS APPLICABLE TO ASSISTANCE IN FORM OF CASH OR EQUIVALENT. AIDOF THIS TYPE HAS COME FROM ARAB STATES (PLUS IMF) AND HAS NOT ALWAYS BEEN PUBLICLY ANNOUNCED, WHICH IS REASON FOR CLASSIFICATION THIS MESSAGE. PRINCIPAL USE HAS BEEN FINANCE PURCHASE OF MILITARY EQUIPMENTIN USSR AND ELSEWHERE, OFTEN WITH EXTENSIVE LEAD-TIMES.

F. GOE'S MOST URGENT AND PRESSING NEED IS FOR CASH TO COVER HUGE AND GROWCNG PALANCE OF PYMENTS DEFICIT EXPECTED TO EXCEED \$2 BILLION IN 1975 ON CIVILIAN SIDE (MILITARY PURCHASES DO NOT ENTER TRADE STATISTICS). IN THIS CRITICAL CATEGORY OF AID, WHICH HAS FALLEN FAR SHORT OF ENORMOUS SUMS THAT WERE PERHAPS IRRATIONALLY HOPED-FOR, EGYPT HAS NOT EVEN RECEIVED BARE MINIMUM THAT WAS EXPECTED.

G. TABLES DO NOT INCLUDE PRIVATE SOURCES OF FUNDS, SUCH AS BANK LOANS, PETROLEUM EXPLORATION SIGNATURE BONUSES, ETC., BUT DO INCLUDE GOVERNMENT-BACKED CREDIT FACILITIES WHERE KNOWN, AND SEMI-OFFICIAL FUNDS DESIGNATED FOR JOINT VENTURES.

H. ANY REALISTIC CONSIDERATION OF ASSISTANCE TO EGYPT MUST BE MADE IN LIGHT OF BOTH SHORT-TERM BOP DEFICIT MENTIONED ABOVE AND OVERALL DEBT, ESTIMATED TO BE IN EXCESS OF \$4 BILLION. THIS FIGURE DOES NOT INCLUDE MILITARY INDEBTEDNESS, WHICH MAY EASILY BE AN EQUAL AMOUNT. MEASURED AGAINST THESE NEEDS, AID THUS FAR OFFERED IS NOT AS GREAT AS IT APPEARS.

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4. WITH PRECEDING FIRMLY FIXED IN MIND, EMBASSY PROVIDES FOLLOWING DATA, IN MILLIONS OF DOLLARS:

ASSISTANCE TO EGYPT, OCTOBER 1973-JANUARY 1975

SOURCE PROJECT BOP TOTAL

ARAB STATES

KUWAIT (\$1,300)	815	283	1,098
SAUDI ARABIA	661	1,375	2,036
ALGERIA	100	100	
UAE	240	118	358
QATAR	92.5	10	102.5
ABU DHABI	10	10	
BAHRAIN	2	2	

SUBTOTAL: ARABS	1,808.5	1,898	3,706.5

IRAN (\$1,000 PLUS)	480	200	680
US	170	157	327
JAPAN	190	50	240
FRG	104.5	100	204.5
FRANCE	42	53	95
UK	7	9	16
DENMARK		9	9
HOLLAND		6	6

SUBTOTAL: FREE
WORLD BILATERAL 993.5 584 1,577.5

IBRD	120	70	190
IMF		40	40
UN	28		28
USSR	160		160
RUMANIA	100		100

GRAND TOTAL 3,210 2,592 5,802

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5. EMBASSY WELCOMES ANY COMMENTS ADDRESSEES CARE TO
OFFER ON THIS SUMMARY AND ON FORTHCOMING AIRGRAMSHOWING
UNDERLYING CALCULATIONS.

6. FOR DEPT: SENATOR INOUE DURING HIS JANUARY VISIT TO
CAIRO, MADE SPECIFIC REQUEST FOR TYPE OF INFORMATION
PRESENTED HERE. SUGGEST THIS MESSAGE BE PASSED TO HIM.
EILTS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC REPORTS, FOREIGN ASSISTANCE PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Margaret P. Grafeld
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US Department of State
EO Systematic Review
05 JUL 2006

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Review Withdrawn Fields: n/a
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Status: NATIVE
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TAGS: EAID, EG, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006